

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

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March 11, 2004

Ref: 8EPR-SR

Ms. Trudy Siefke
3496 Highway 2 South
Libby, MT 59923

RE: Steel Shed

Dear Trudy:

As we recently discussed, due to the unique situations of your shed, EPA now has the option to offer you monetary compensation beyond fair market value for portions and contents of the steel shed that were disposed of during cleanup and have not yet been replaced. In the past, we have given you the option of either a direct cash payment for *only* the appraised fair market value of these materials *or* having the government replace and rebuild the materials ourselves. Essentially, we can now offer a direct cash payment for the appraised *fair market* value, and then establish an escrow account with additional money up to an agreed upon *replacement* value. In addition to the cash you receive directly, you (or your contractors) can then draw down upon the money in the escrow account to either replace or rebuild items associated with the shed. All of the funds must be used only on replacement or rebuilding of the items associated with the shed. However, you would control the contractors, which items you purchase, and the details of the work yourself. Should the work cost less than the money in the escrow account, the balance would return to EPA. Should the work cost more, you would be required to pay any overruns you incur, though obviously you would not be required to incur any overruns or perform any work beyond what the settlement pays for.

To implement this option, it is essential that we come to final agreement on both the fair market value and a reasonable replacement value for the items to be addressed. The purpose of this letter is to provide you EPA's analysis of these values.

General Scope of Work

In a letter dated February 25, 2002, the Government committed to "replacement of the second story loft, work benches, and insulation in your Steel Shed." The letter provided additional details as well. The Addendum to Exhibit 5 of the Final Settlement Agreement you signed on April 9, 2002, also stipulated that the government would replace wiring, chimney,



lighting, metal on the north end of shop where wooded portion was removed, door, and the finish room. However, the inventory and appraisal that supported the Settlement Agreement shows that you were already compensated for cabinets (\$30) and for replacement of wooded portion of the north end of shop (\$5500). This area included the stove and chimney. Based on these points, as well as discussions with you, the following general items remain to be addressed:

- Electrical
- Tables/Benches/Shelves
- Insulation
- Loft
- Finish Room
- Stairs

Fair Market Value

It is clear from reviewing several documents and discussing the shed with others that the shed was not in good condition when cleanup work began. Many items did not meet building codes or were makeshift and had only salvage value. Appraisals of the items in question were conducted by Alpine Auction and Appraisal Services in 2002. A separate report was compiled for: electrical, benches/shelves, loft, insulation, and the entire shed. Based on these appraisals, a fair market value these items was established:

- | | |
|-----------------------------------|---------------|
| • Electrical | \$100 |
| • Tables/Shelves/Benches | \$150 |
| • Insulation | \$100 |
| • Loft | \$200 |
| • Entire Building/Contents | \$2500 |

It is important to note that while there is no separate appraisal for the finish room, stove, chimney and stairs, the fair market value estimate for the entire building and contents is inclusive of all the items we must address (electrical, tables/shelves/benches, insulation, loft, finish room) *as well as* additional items not required to be replaced by the Government - the remainder of the building. Based upon these appraisals, EPA is willing to pay an initial cash settlement of \$2500 as compensation for the fair market value of the items we are required to address.

Replacement Value

It is difficult to establish replacement value because many pre-existing items were makeshift and did not meet building codes. Bringing all items up to code, especially the electrical system and the loft, would require considerably more money than the items were originally worth. The appraisals conducted by Alpine Auction and Appraisal Services in 2002 provide a baseline for replacement value:

- | | |
|--------------|--------|
| • Electrical | \$1800 |
|--------------|--------|

- Tables/Shelves/Benches \$1500
- Insulation \$806 (minus installation)
- Loft \$3500

Summing these figures gives an estimate of approximately \$7600 for replacement value. This can serve as a baseline for comparison, but the figure does not include the finish room or stairs. Additionally, EPA's most current research shows that these figures are somewhat low.

To help provide more information to aid in determining an accurate replacement value, EPA tasked our contractors, CDM, Inc and ER, Inc. to provide estimates for completing the work *generally* as requested by you (with a few exceptions) and generally bringing items up to code. This estimate is attached and provided the following values:

- Electrical \$ 7,770
- Tables/Shelves/Benches \$ 2,296
- Insulation \$ 6,648
- Loft (w/no footings) \$ 5,932
- Finish Room \$ 845
- Stairs \$ 200
- Labor (approximation) \$ 2000

TOTAL \$25,691

Again, this considers implementing most items as you requested and generally bringing items up to code. It represents a *significant* improvement upon prior conditions. In fact, the cost of \$22,646 for the first four items (electrical, tables/shelves/benches, insulation, loft) in this estimate is considerably higher than the replacement value of \$7606 in the 2002 appraisal for the same items.

Considering all of these values and estimates, the prior conditions of the shed, and the need to provide you a functional building that could be used in a similar manner to the way it was used prior to cleanup, EPA feels it is reasonable to propose a total replacement value of \$22,500. A settlement would reflect a direct cash payment of \$2,500 (based on fair market value) and the establishment of an escrow account of \$20,000 (based on the difference between fair market value and replacement value). If this figure is satisfactory to you, please let me know immediately, and we will begin working up a settlement agreement and the details of a cash payment and escrow account. The settlement will include a work plan which specifies what work is to be performed with the settlement funds. Again, the settlement must only be used for the items in the work plan, though you will have control of the specifics of the work.

I look forward to hearing from you and getting this behind us. I realize we still need to discuss your driveway, and we will. In the meantime, please call the EPA Information Center (293-6194) and let me know if we can move forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'JCE', with a stylized, cursive script.

Jim Christiansen
Remedial Project Manager

Attachment: CDM Cost Estimate